

Message Text

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ACTION EUR-12

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E.O. 11652: N/A
TAGS: EFIN, CA
SUBJ: MANITOBA S RESTRAINT BUDGET SHOWS A MODEST 2.9 PERCENT
INCREASE OVER 1977-78.

1. MANITOBA FINANCE MINISTER DON CRAIK S FIRST BUDGET,PRESENTED ON APRIL 10 CONTAINS A SUBSTANTIAL PACKAGE OF TAX CHANGES HE HOPES WILL IMPROVE MANITOBA S SLUGGISH ECONOMY DURING FY78-79.
2. THE PROVINCIAL GOVERNMENT HAS AGREED TO CUT SALES TAX TO 2 PER CENT FROM 5 PER CENT FOR THE NEXT 6 MONTHS ON EVERYTHING EXCEPT ALCOHOLIC BEVERAGES AS PART OF THE FEDERAL PROGRAM TO STIMULATE THE ECONOMY. TAX CUTS WERE ALSO ANNOUNCED ON FUEL, INSULATION MATERIALS, MOBILE HOMES, AND WERE ELIMINATED ON STEAM HEAT AND HOT WATER HEAT. PROPERTY TAXES FOR SENIOR CITIZNES WERE REDUCED DOLS 100.00 PER RESIDENT HOMEOWNER. HOWEVER, TOBACCO WAS AWARDED A FURTHER 5 CENT TAX PER PACKAGE OF 25 CIGARETTES.
3. THE GOVERNMENT WILL FACE A DOLS 114.2 MILLION DEFICIT THIS YEAR, COMPARED TO A DOLS 181 MILLION DEFICIT IN 1977, WITH SPENDING ESTIMATED AT DOLS 1.65 BILLION AND REVENUES ESTIMATED AT DOLS
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1.54 BILLION.

4. THIS BUDGET CONTINUES THE GOVERNMENT S FIVE-MONTH-OLD RESTRAINT PROGRAM BY PROPOSING A SPENDING INCREASE OF ONLY 2.9 PER CENT (LIKELY THE LOWEST OF ANY CANADIAN PROVINCE).

5. AREAS SHOWING THE GREATEST REDUCTIONS ARE:

-- AGRICULTURE (DOWN DOLS 6.7 MILLION)

-- NORTHERN AFFAIRS (DOWN 6.6MILLION)

-- PUBLIC WORKS (DOWN DOLS 5.8 MILLION)

-- INDUSTRY AND COMMERCE (DOWN 1.5 MILLION)

SMALLER REDUCTIONS ARE REFLECTED IN CO-OPERATIVE DEVELOPMENT, CONSUMER AFFAIRS, DEVELOPMENT AGENCIES, URBAN AFFAIRS, TOURISM AND MINES.

6. LARGEST INCREASES WENT TO:

-- HIGHWAYS DEPARTMENT (UP DOLS 40.6 MILLION)

--FINANCE DEPARTMENT (UP DOLS 36 MILLION)

-- HEALTH AND SOCIAL DEVELOPMENT (UP DOLS 21MILLION)

-- EDUCATION (UP DOLS 20 MILLION)

INCREASES WERE ALSO SHOWN FOR ATTORNEY-GENERAL, CIVIL SERVICE COMMISSION, AND LABOR. TAKING INFLATION INTO ACCOUNT, THE SMALL INCREASES BUDGETED FOR MOST DEPARTMENTS MEAN THEY WILL HAVE FEWER REAL DOLLARS TO SPEND IN 1978-79.

7. MR CRAIK STATED THAT DEPARTMENTAL SPENDING PROPOSALS FOR 1978 - 79 WERE ALREADY PREPARED BY THE PREVIOUS NDP GOVERNMENT WHEN THE CONSERVATIVES TOOK OFFICE IN OCTOBER AND THESE PROPOSALS TOTALLED A DOLS 300-MILLION JUMP. AFTER SEVERAL ROUNDS OF COST-CUTTING THE ESTIMATES HAVE BEEN PARED TO AN INCREASE OF ONLY DOLS 46.1 MILLION OVER 1977-78. (PREMIER LYON HAS JUSTIFIED THIS BARE-BONES BUDGET
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BY ALLUDING TO HORROR STORIES OF FINANCIAL MISMANAGEMENT UNDER THE PREVIOUS ADMINISTRATION, WHICH HE SAYS WILL COME TO LIGHTS AS THE ESTIMATES RECEIVE A DETAILED EXAMINATION.)

8. ADHERING TO AN OFT-STATED VIEW THAT EMPLOYMENT CAN BEST BE INCREASED THROUGH TAX STIMULUS TO THE PRIVATE SECTOR, NO MONEY HAS BEEN ALLOCATED FOR MAJOR JOB-CREATION PROGRAMS. (THE FORMER NDP GOVERNMENT SPENT DOLS 33.1 MILLION FOR THIS PURPOSE LAST YEAR.) HOWEVER, DOLS 2 MILLION HAS BEEN EARMARKED TO STIMULATE YOUTH (16 - 24) EMPLOYMENT IN THE PRIVATE SECTOR AND ANOTHER 2,000 GOVERNMENT JOBS WILL BE AVAILABLE FOR STUDENTS.

9 OPPOSITION CRITICS CHARGED THAT THE PRICE OF THE GOVERNMENT S SPENDING RESTRAINT WOULD BE TAKEN OUT OF THE HIDES OF THE POOR, THE HOSPITALS, THE MUNICIPAL GOVERNMENTS AND SCHOOL BOARDS. NDP LEADER ED SCHREYER CALLED THE CUTS DRACONIAN AND FORECAST THEY WOULD CAUSE ECONOMIC STAGNATION AND AGGRAVATE UNEMPLOYMENT.

10. EDITORIAL REACTION WAS CONFINED TO COMMENTS ON CUTS IN SERVICES. IN SUBSTANCE BOTH THE WINNIPEG FREE PRESS AND TRIBUNE BACKED THE RESTRAINTS SAYING THAT IT IS A PARTICULAR CHALLENGE TO THE DIRECTORS OF THESE SPECIAL AREAS TO PROVIDE CONTINUING GOOD

SERVICE WITH FEWER DOLLARS.

11. COMMENT: THIS BUDGET CLEARLY REFLECTS STERLING LYON S TORY PHILOSOPHY THAT GOVERNMENT SHOULD NOT BE INVOLVED IN BUSINESS, BUT SHOULD INSTEAD PROVIDE THOSE TRADITIONAL SERVICES EXPECTED OF IT (ROADS, SCHOOLS, AND HOSPITALS). HE CAMPAIGNED ON THIS THEME, AND NOW HE IS BEGINNING TO DELIVER WHAT HE PROMISED. THIS HAS CAUSED NO LITTLE UNEASINESS AMONG A POPULACE THAT IN 8 YEARS OF NDP GOVERNMENT HAD BECOME SOMEWHAT COMFORTABLE WITH AN ADMINISTRATION THAT HAD NOT HESITATED TO USE ITS RESOURCES TO STIMULATE THE ECONOMY OF MANITOBA. PEOPLE NOW WONDER WHETHER AND WHEN THE PRIVATE SECTOR WILL STEP IN TO PICK UP THE SLACK.
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